albany oil & gas limited annual report 1973

File

Directors

J. Keith Farries
Calgary, Alberta

Kenneth P. Bottoms
Calgary, Alberta

A. Ernest Pallister
Calgary, Alberta

Ronald W. A. Boal
Calgary, Alberta

Officers

Kenneth P. Bottoms
President

Ronald W. A. Boal
Secretary Treasurer

Transfer Agent and Registrar

Montreal Trust Company
Montreal, Winnipeg, Calgary, Vancouver, Toronto

Registered Head Office

6th Floor, Bank of Canada Building
Lombard Place Number Three
Winnipeg

Executive Office

660 One Calgary Place, Calgary, Alberta

Auditors

Thorne, Gunn, Helliwell & Christenson
Calgary, Alberta

Solicitors

Edison, Aird & Berlis
Toronto, Ontario

Fenerty, McGillivray, Robertson, Prowse,
Brennan, Fraser, Bell & Code
Calgary, Alberta

Thompson, Dewar, Sweatman
Winnipeg, Manitoba

Bank

Canadian Imperial Bank of Commerce
Calgary, Alberta

Stock Exchange Listings

Toronto Stock Exchange
Vancouver Stock Exchange
Canadian Stock Exchange

To The Shareholders

The past year has been an unsettling one for the oil and gas industry in Canada. International pressures and restricted supplies resulted in domestic and export prices rising from their long depressed levels. Provincial and Federal Governments reacted through a series of royalty revisions, price controls, export limits and an export tax. All these measures resulted in an erosion of industry's revenues from those which would have resulted in a free market.

Production was also adversely affected. Because of Government concern for future prices and supplies, major gas reserves capable of immediate production remain shut-in awaiting Government approval for export.

Although some of these measures are probably intended to be temporary, the volatility of the situation has created an atmosphere of restriction and uncertainty, which is not conducive to encouraging the investment required to establish new reserves in Canada.

We are optimistic, however, that it is just a matter of time before the impacts of this condition will be recognized and Governments in Canada will formulate the necessary clear and stable policies to re-establish investment confidence. Albany has a large stake in the Western Canadian oil industry and we look forward to significant growth in meeting future energy needs in this country. Projects now being developed should see significant financial returns during the next decade when demands will be high and prices express realistic energy values.

In diversifying its activities, your Company has expanded its exploration efforts in the United States, Africa and the United Kingdom, not only in petroleum, but in alternate energy sources of uranium and geothermal steam.

During the past year, with increased drilling in the Hatton area of Saskatchewan and the completion of a second well at Ricinus in Alberta, Albany enjoyed an increase in gas reserves from 60 billion to more than 125 billion cubic feet. Seven wells were drilled in Sterling County, Texas resulting in four successful flowing oil wells, and current reserves of 300,000 barrels are proven to the Company's account. Albany also owns a large interest in a 6 million barrel recoverable reserve of heavy crude which is presently being readied for production tests by senior partners in the project.

Agreements are currently being finalized with American authorities granting Albany a 100% working interest in more than 200,000 acres on the Pyramid Lake Paiute Indian Reserve in Nevada, the largest geothermal steam energy prospect under one ownership in the Western United States.

Albany also holds an interest in 773,000 acres consisting of thirteen blocks in the Celtic Sea, North Sea and the West Shetland Shelf areas. Seismic programs are now complete and a wildcat well will probably be drilled by Albany and partners on the North Sea permits during the summer of 1974, culminating two years of geological and geophysical exploration.

Messrs. Travis, Kryczka and Baert, who contributed significantly to the Company in the past, have retired from the Board of Directors. We wish to thank them for their assistance during the Company's formative years, and wish them every success in the future.

The Company is pleased to welcome Mr. J. Keith Farries and Mr. A. Ernest Pallister to the Board of Directors.

Mr. Farries, a Professional Engineer and President of Farries Engineering Ltd., has had a wide range of engineering experience in the Canadian and international oil and gas industry. Mr. Pallister is a Professional Geophysicist, with more than 20 years of industry experience, is Vice-President of Kenting Limited, President of Pallister Resource Management, and Vice Chairman of the Science Council of Canada.

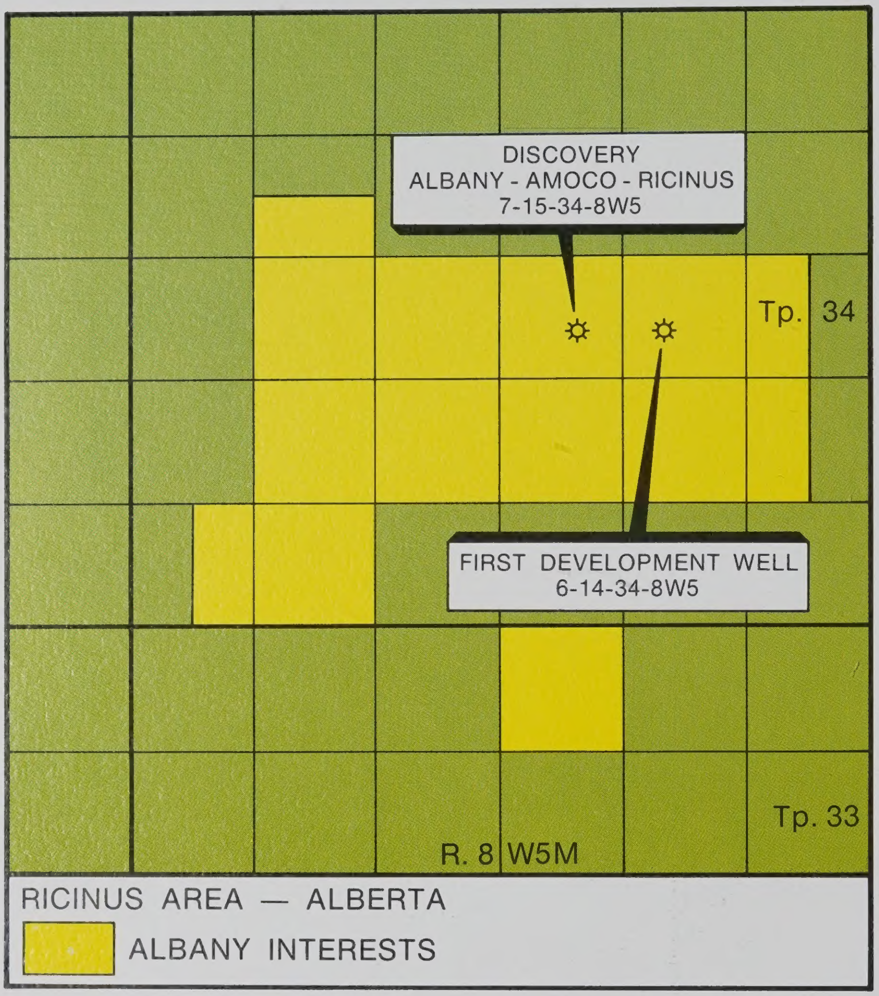
These gentlemen will provide the Board with expertise in a number of oil industry areas and their contribution to Albany will be most significant.

The coming year should be one of major importance to Albany shareholders. The Company, which has a strong base in natural gas and oil reserves, is embarking on new and exciting energy-oriented projects; and the Company's first cash flow may be anticipated since its inception.

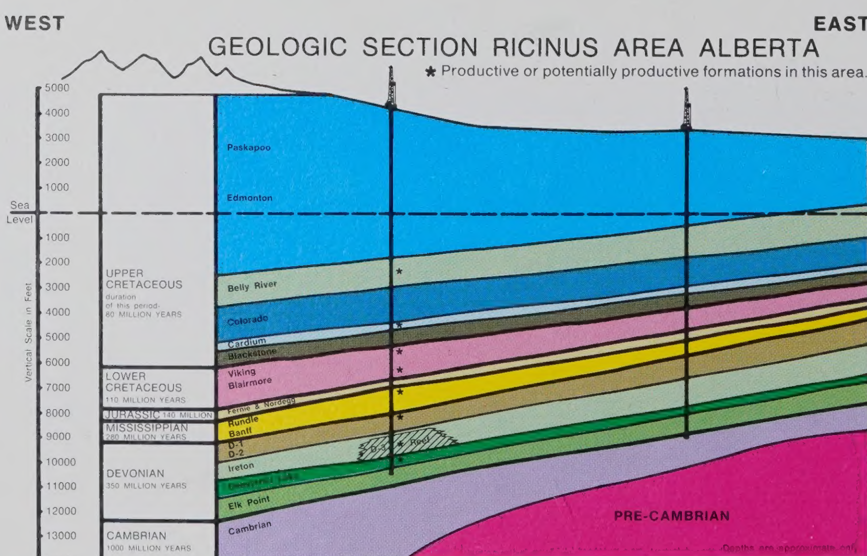
Respectfully submitted on behalf of the Board,

Kenneth P. Bottoms
Director
November 20, 1973


Arctic Ocean
ARCTIC ISLANDS
Beaufort Sea
GREENLAND
ALASKA
YUKON TERRITORY
NORTHWEST TERRITORIES
Hudson Bay
BRITISH COLUMBIA
ALBERTA
SASK.
MANITOBA
NEWFOUNDLAND
QUEBEC
EDMONTON
VIKING
RICINUS
SENLAC
CALGARY
ONTARIO
HATTON
NOVA SCOTIA
MONTANA
PENNSYLVANIA
PYRAMID LAKE
NEBRASKA
NEVADA
COLORADO
KANSAS
ATLANTIC OCEAN
OKLAHOMA
NEW MEXICO
PACIFIC
COLLINS
RANCH
TEXAS
OCEAN
LOUISIANA
FLORIDA
ALBANY INTERESTS



This sample was recovered from a 50 foot core cut in the Leduc Reef below 14,000' in the Albany Amoco 6-14 Ricinus well. The vugs (porosity) in the rock, are voids left between the fossil coral and skeletal remains of other reef dwellers, which inhabited the area more than 300 million years ago.



Ricinus Area
ALBERTA

In September of 1973, the Albany Amoco 7-15-34-8 W5M was completed as a major Leduc D-3 reef sour gas discovery, having a calculated absolute open flow potential of 460 million cubic feet of gas per day. This well is considered to have a long term producibility of approximately 75 million cubic feet per day. A second well, the Albany Amoco 6-14-34-8 W5M, one mile east of the discovery well, reached total depth and 7 inch production casing was set to 14,396' on October 10, 1973 in the Leduc D-3 reef.

From log analysis, it appears that the 6-14 has 275 feet of pay above the gas-water contact. Analysis of cores taken in the reef zone are indicative of good reservoir character, but production testing has been delayed due to a series of mechanical problems and material shortages. Amoco Canada, the operator, is hopeful of having the reservoir tested and the well completed by year end.

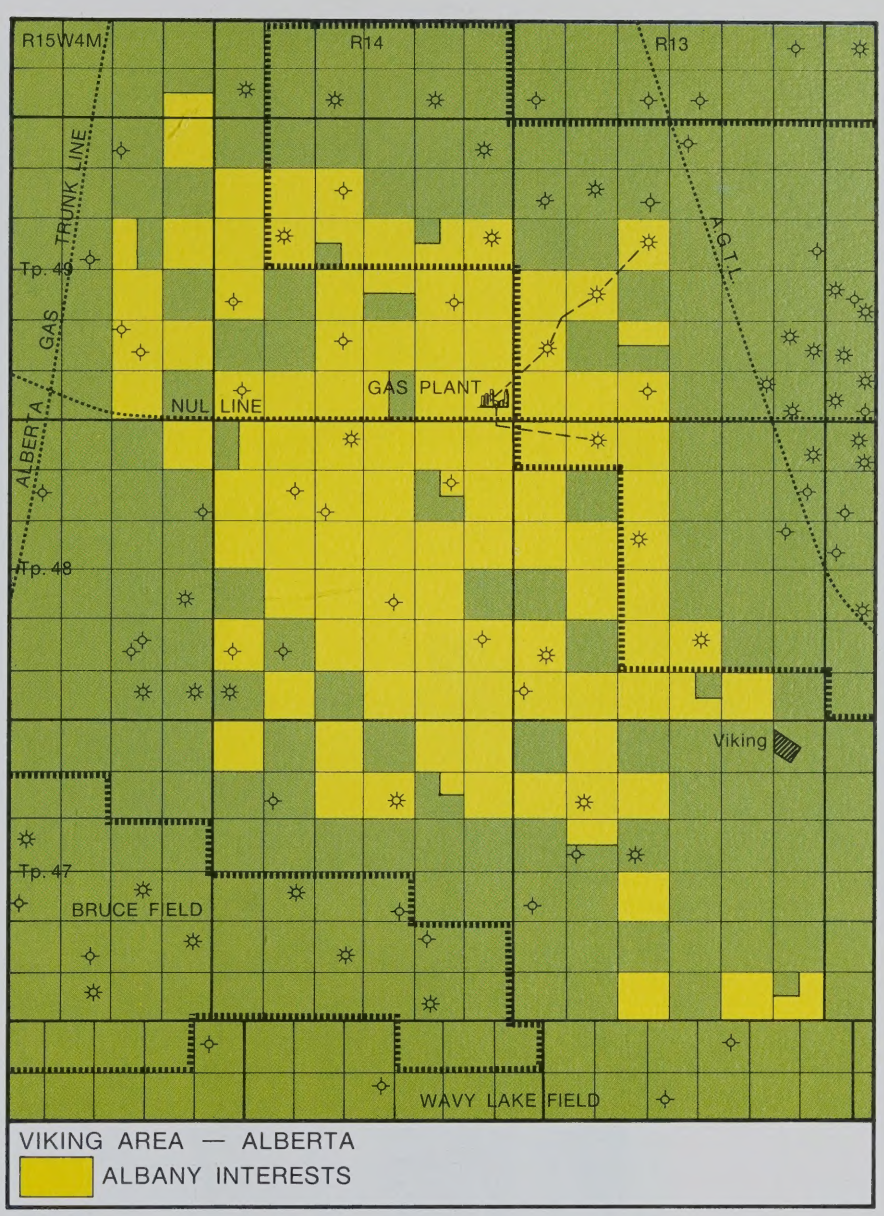
Upon the successful completion of the 6-14 test, plans will be considered for additional drilling and the design of a plant capable of handling production of approximately 200 million cubic feet of gas per day. Plant costs are constantly escalating, but an estimate places the cost of the proposed plant at $45,000,000 and requiring 18 months to construct. It is anticipated that this project will generate between $1,000,000 to $1,500,000 in annual income to Albany's account depending upon daily rates and the prices prevailing at the time of production for natural gas and sulphur.

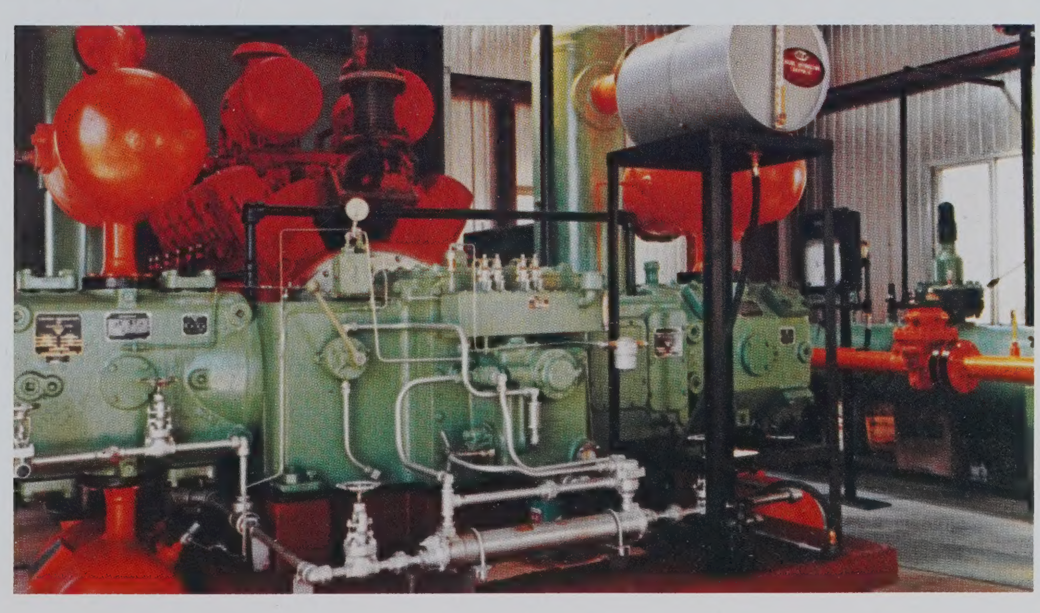
Viking Area
ALBERTA

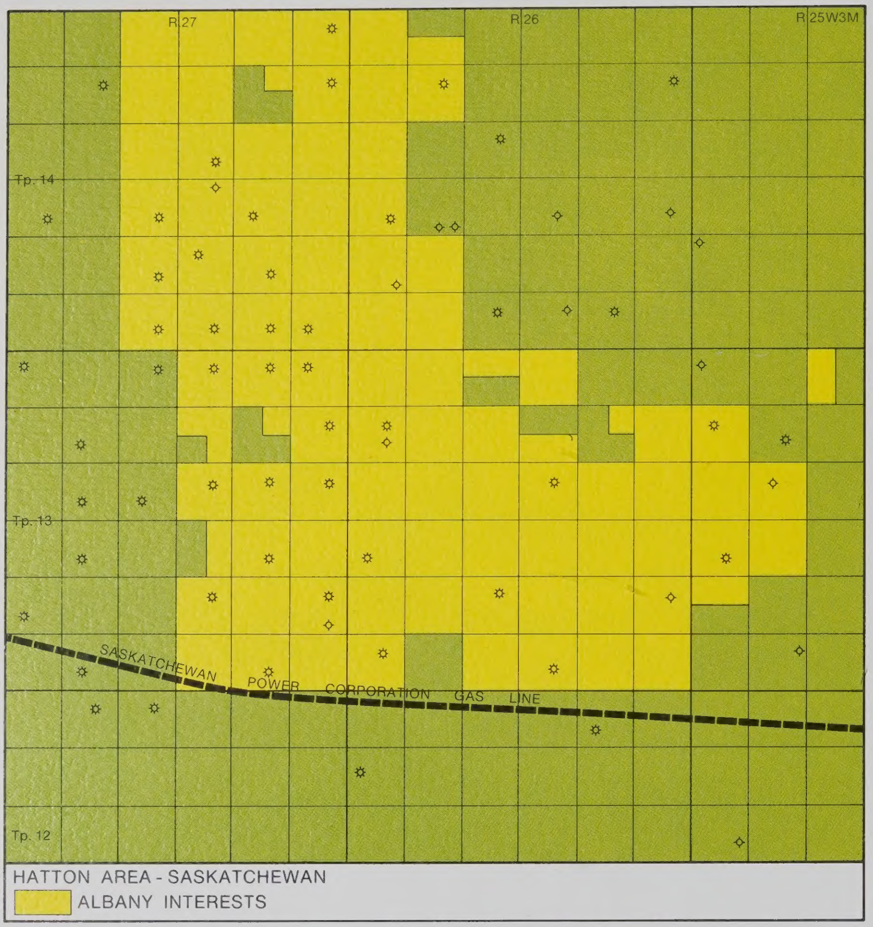
Production facilities are being installed to place the currently proven gas reserves on stream during January, 1974. The field will be produced at the initial rate of 3.5 million cubic feet of gas per day through a plant capable of handling 9 million cubic feet per day.

The gas will be sold on a take or pay contract with Trans Canada Pipeline Ltd. at an initial price of 26¢ per thousand cubic feet. Income received from this production will supply funds required to further develop the 66,240 acres in which Albany's working interests range from 10.6% to 25.0%

Proven reserves of 24 billion cubic feet of gas are estimated by Trans Canada in the existing eight producible wells, and additional drilling during the spring and summer of 1974 is expected to expand the proven reserves and daily production rate. From the initial 3.5 MMCFGPD rate, Albany's annual income will approximate $65,000, increasing to $150,000 as development continues.







Hatton Field Area
ALBERTA

Albany's interest in the Hatton Area constitutes one of the Company's major assets with producible reserves to Albany's account estimated at 75 billion cubic feet of gas. Thirty-three wells have been completed from the Milk River and Medicine Hat reservoirs to date. Additional land was acquired during the past year increasing our interest in Milk River rights to 43,840 gross acres (10,040 net acres) and in the Medicine Hat reservoir, to 45,600 gross acres (11,400 net acres).

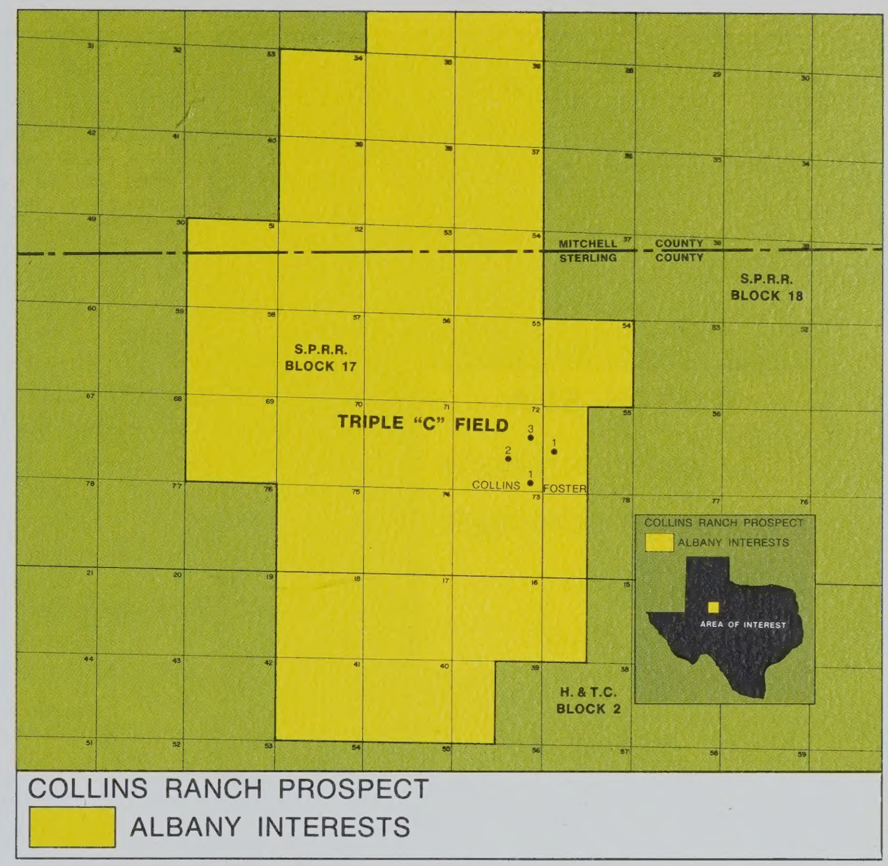
Albany and partners had intended to place the Hatton reserves on stream by November, 1973, and were successful in negotiating a satisfactory contract. Plans were to commence production at 20 million cubic feet of gas per day increasing to 40 million per day over a three year period and producing at that rate thereafter. However, all export applications are being denied by the Province until the long term energy needs of Saskatchewan can be reviewed. The industry is currently making representations to the Province and a favorable decision is anticipated. Three to four months will be required to construct the necessary production facilities from the date of receiving Provincial permission to proceed. Saskatchewan's moratorium on exports came as a surprise to the industry since gas reserves in the Province have expanded dramatically due to a marked increase in exploration and development drilling over the past three years. A negative decision on the part of the Province could perpetuate the current absence of exploration and development. We are hopeful that a decision can be reached that is compatible with Saskatchewan's requirements and our need to place Hatton on stream.

In keeping with Albany's philosophy of expanding exploration efforts in other countries exhibiting responsible government policy and ready markets, the Company acquired an interest in an exploratory venture in Sterling County, Texas, between the cities of Midland and San Angelo. The initial well, the Capataz #1 Collins, flowed oil on drillstem tests from both the Mississippian zone at 8,000' and the Ellenburger (Ordovician) at 8,100'. The well, which earned Albany's interest in three sections, was completed from the Ellenburger and is currently flowing 150 barrels of 50° API gravity sweet crude per day.

Following the discovery, 27 additional sections were acquired, and six development and exploratory wells drilled. Of these, three were successful in establishing flowing Ellenburger oil production, and three were dry. When the fourth successful well is placed on production, 600 barrels of oil per day will be produced. The current wellhead price is $5.96 per barrel.

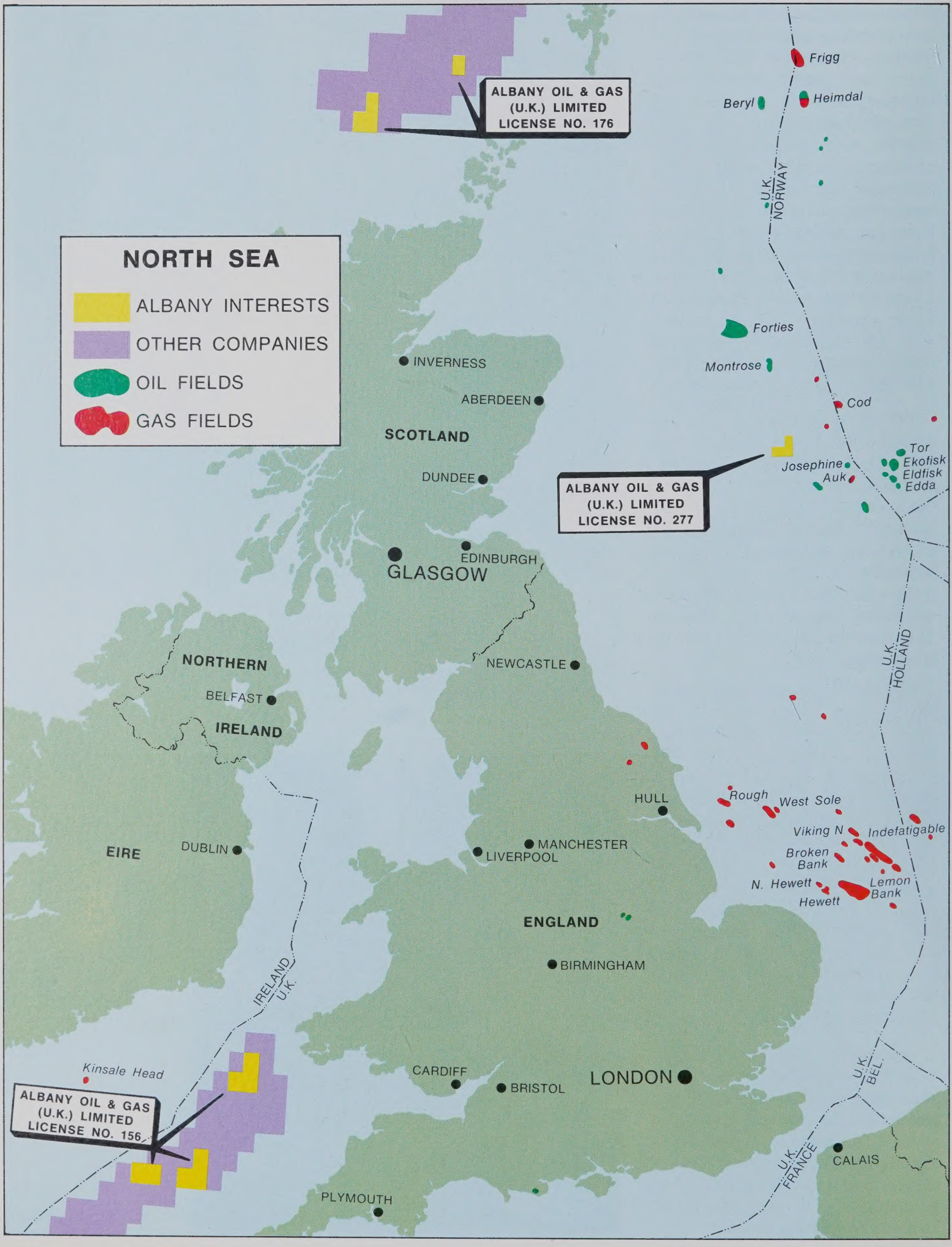
Albany's net revenue interest in the current production, all of which is located on the three initially earned sections, is 10%. The 27 additional sections, in which the Company holds a 23% net revenue interest, offer exploratory potential in the Ellenburger, Mississippian and Wolfcamp zones. A comprehensive seismic program and additional drilling of two geologic anomalies is anticipated in the next quarter. Further development drilling in the newly designated Triple 'C' Field is also planned.

Albany's investment in this play is in excess of $340,000, but from the wells completed to date, payout will require less than three years. The play is regarded as having significant exploratory and development potential and may become one of Albany's major income producing assets.



Collins Ranch Prospect

TRIPLE "C" FIELD
STERLING COUNTY, TEXAS


NORTH SEA
ALBANY INTERESTS
OTHER COMPANIES
OIL FIELDS
GAS FIELDS
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 176
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 277
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 156
Frigg
Beryl
Heimdal
U.K. NORWAY
Forties
Montrose
Cod
Josephine
Auk
Tor
Ekofisk
Eldfisk
Edda
U.K. HOLLAND
Rough
West Sole
Viking N
Indefatigable
Broken Bank
N. Hewett
Lemon Bank
Hewett
U.K. BEL.
U.K. FRANCE
CALAIS
INVERNESS
ABERDEEN
SCOTLAND
DUNDEE
EDINBURGH
GLASGOW
NEWCASTLE
NORTHERN
BELFAST
IRELAND
EIRE
DUBLIN
HULL
MANCHESTER
LIVERPOOL
ENGLAND
BIRMINGHAM
IRELAND U.K.
Kinsale Head
CARDIFF
BRISTOL
LONDON
PLYMOUTH

U.K. North Sea Areas

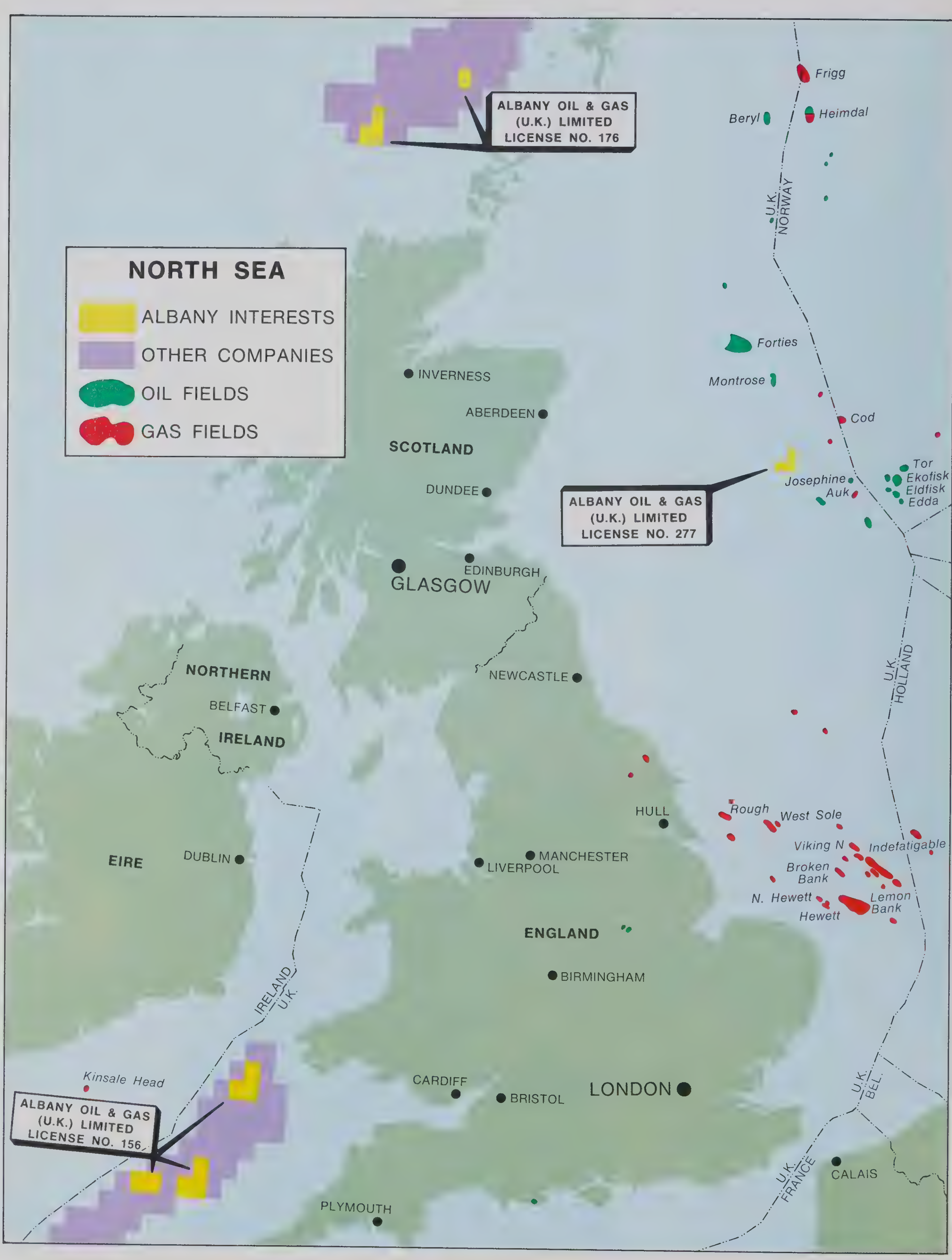
Albany owns a 2% net working interest in the Premier Consolidated Group which has expended approximately $500,000 in geologic and geophysical programs on 773,000 acres in the North Sea, Celtic Sea and West Shetlands Area. Seismic structures have been defined on a number of our 13 permits and plans are being considered to drill in the North Sea during the summer of 1974.

The Premier Group holds eight permits in the Celtic and success anywhere would be of importance to Albany. Eleven wells by other companies are reputedly to be drilled in the relatively virgin Celtic Sea during the next 9 months. The results of these tests will be critical in defining the reservoir stratigraphy of the area and in providing geophysical reference data. A well drilled by Shell during late summer, 12 miles to the north in block 102-28, although reportedly off structure encountered good reservoir strata and non-commercial shows of oil and gas. The Celtic Sea offers major potential and the forthcoming drilling season will provide important answers as to the complexity of the basin and the significance of Albany's holdings in the area.

The West Shetlands Area, in which Albany has an interest in four permits, is as relatively unexplored as the Celtic Sea, but the regional potential is equally encouraging. Several wells are rumoured to be committed to the area for the coming year, but no details are available to date as to when or where the tests are to be drilled. We have completed semi-detailed seismic on all our Shetlands Area blocks as we have in the Celtic and are now in an excellent position to benefit from wells drilled by other companies in the basin.

The North Sea permits are located in an established oil productive area in line with the Auk, Montrose and Forties fields. Detailed seismic has been completed promising anomalies have been refined on the acreage and drilling is warranted. Certain of the prospects, however, extend onto contiguous lands held by Caltex, Amoco and the Shell-Esso group. It is our intention to either drill a well on our acreage or support a well drilled on adjoining lands to validate the three seismic anomalies.

Albany and Partners conduct Marine Seismic in U.K. waters.


NORTH SEA
ALBANY INTERESTS
OTHER COMPANIES
OIL FIELDS
GAS FIELDS
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 176
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 277
ALBANY OIL & GAS (U.K.) LIMITED LICENSE NO. 156
Frigg
Beryl
Heimdal
U.K. NORWAY
Forties
Montrose
Cod
Tor
Ekofisk
Eldfisk
Edda
Josephine
Auk
U.K. HOLLAND
Rough
West Sole
Viking N
Indefatigable
Broken Bank
N. Hewett
Hewett
Lemon Bank
U.K. BEL.
U.K. FRANCE
CALAIS
INVERNESS
ABERDEEN
SCOTLAND
DUNDEE
EDINBURGH
GLASGOW
NEWCASTLE
NORTHERN IRELAND
BELFAST
HULL
MANCHESTER
LIVERPOOL
EIRE
DUBLIN
ENGLAND
BIRMINGHAM
IRELAND U.K.
Kinsale Head
CARDIFF
BRISTOL
LONDON
PLYMOUTH

U.K. North Sea Areas

Albany owns a 2% net working interest in the Premier Consolidated Group which has expended approximately $500,000 in geologic and geophysical programs on 773,000 acres in the North Sea, Celtic Sea and West Shetlands Area. Seismic structures have been defined on a number of our 13 permits and plans are being considered to drill in the North Sea during the summer of 1974.

The Premier Group holds eight permits in the Celtic and success anywhere would be of importance to Albany. Eleven wells by other companies are reputedly to be drilled in the relatively virgin Celtic Sea during the next 9 months. The results of these tests will be critical in defining the reservoir stratigraphy of the area and in providing geophysical reference data. A well drilled by Shell during late summer, 12 miles to the north in block 102-28, although reportedly off structure encountered good reservoir strata and non-commercial shows of oil and gas. The Celtic Sea offers major potential and the forthcoming drilling season will provide important answers as to the complexity of the basin and the significance of Albany's holdings in the area.

The West Shetlands Area, in which Albany has an interest in four permits, is as relatively unexplored as the Celtic Sea, but the regional potential is equally encouraging. Several wells are rumoured to be committed to the area for the coming year, but no details are available to date as to when or where the tests are to be drilled. We have completed semi-detailed seismic on all our Shetlands Area blocks as we have in the Celtic and are now in an excellent position to benefit from wells drilled by other companies in the basin.

The North Sea permits are located in an established oil productive area in line with the Auk, Montrose and Forties fields. Detailed seismic has been completed promising anomalies have been refined on the acreage and drilling is warranted. Certain of the prospects, however, extend onto contiguous lands held by Caltex, Amoco and the Shell-Esso group. It is our intention to either drill a well on our acreage or support a well drilled on adjoining lands to validate the three seismic anomalies.

Albany and Partners conduct Marine Seismic in U.K. waters.

Albany
Oil & Gas Limited
and subsidiary companies
(Incorporated under the laws of Manitoba)

Consolidated Balance Sheet — May 31, 1973

(with comparative figures at May 31, 1972)

ASSETS

	1973	1972
CURRENT ASSETS		
Cash and short-term deposits	$ 427,129	$ 373,962
Accounts receivable	154,739	47,424
Current portion of notes receivable	64,000	80,000
	645,868	501,386
OTHER ASSETS		
Investment in other companies (no quoted market value) (note 3)	127,542	123,262
Notes receivable, less portion included in current assets (note 4)	80,000	160,000
Drilling and other deposits	20,000	—
	227,542	283,262
PROPERTY AND EQUIPMENT		
Petroleum and mining properties and equipment (note 5)	1,380,323	269,087
Exploration and preproduction expenditures	355,961	141,209
	1,736,284	410,296
	$ 2,609,694	$ 1,194,944

LIABILITIES

	1973	1972
CURRENT LIABILITIES		
Bank advances, secured by assignment of receivables and production from certain petroleum properties	$ 200,000	
Accounts payable and accrued liabilities	205,957	$ 299,833
Principal due within one year on long-term debt	15,000	25,000
	420,957	324,833
LONG-TERM DEBT (note 6)	—	15,000

SHAREHOLDERS' EQUITY

	1973	1972
CAPITAL STOCK (note 7)		
Authorized		
5,000,000 8% Non-cumulative redeemable, convertible, voting preference shares, par value $1 each		
10,000,000 Common shares without par value		
Issued		
Preference shares (1972 — 89,583)	—	89,583
5,500,792 Common shares (1972 — 4,181,209)	3,687,562	2,262,979
DEFICIT	(1,498,825)	(1,497,451)
	2,188,737	855,111
	$ 2,609,694	$ 1,194,944

CONTINGENT LIABILITY (note 8)

Approved by the Board

K. P. BOTTOMS, Director

R. W. A. BOAL, Director

Albany
Oil & Gas Limited
and subsidiary companies

Consolidated Statement of Exploration and Preproduction Expenditures

Year Ended May 31, 1973

	Balance May 31, 1972 (note 2)	Expenditures During Year	Balance May 31, 1973
Salaries and employee benefits	$ 65,954	$ 72,080	$138,034
Business development	23,118	37,920	61,038
Office	20,762	38,535	59,297
Professional services	14,012	48,129	62,141
Transfer agent and filing fees	10,654	15,803	26,457
Shareholders' information	9,277	15,983	25,260
Interest on long-term debt	3,294	8,521	11,815
Other interest and bank charges	520	—	520
Exploration	4,546	2,778	7,324
Depreciation	—	1,816	1,816
	152,137	241,565	393,702
Deduct			
Administration revenue	8,280	5,130	13,410
Interest income	2,648	20,099	22,747
Sale of gas, net	—	1,584	1,584
	10,928	26,813	37,741
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES	$141,209	$214,752	$355,961

Consolidated Statement of Deficit

Year Ended May 31, 1973
(with comparative figures for 1972)

	1973	1972
Deficit at beginning of year		
As previously reported	**$1,588,352**	$1,490,748
Adjustment to "full cost" method of accounting (note 2 (i) (b))	**50,308**	—
Adjustment for deferred exploration and preproduction expenditures (note 2 (i) (a))	**(141,209)**	—
As restated	**1,497,451**	1,490,748
Loss on disposal of investments		
Subsidiary company	—	3,720
Other	—	2,983
Write down of investments	**1,374**	—
	1,374	6,703
DEFICIT AT END OF YEAR	**$1,498,825**	$1,497,451

Consolidated Statement of Source and Application of Funds

Year Ended May 31, 1973
(with comparative figures for 1972)

	1973	1972
SOURCE OF FUNDS		
Issue of common shares (note 6)	**$1,424,583**	$743,557
Proceeds from sale of investments	—	23,856
Repayment of notes receivable	**80,000**	—
	1,504,583	767,413
APPLICATION OF FUNDS		
Additions to investment in other companies	**5,654**	129,223
Additions to petroleum properties and equipment	**1,113,052**	123,041
Exploration and preproduction expenditures, net of depreciation	**212,936**	141,209
Drilling and other deposits	**20,000**	—
Non-current portion of notes receivable	—	160,000
Repayment of long-term debt	**15,000**	45,970
Redemption of preference shares	**89,583**	—
	1,456,225	599,443
INCREASE IN WORKING CAPITAL	**48,358**	167,970
WORKING CAPITAL AT BEGINNING OF YEAR	**176,553**	8,583
WORKING CAPITAL AT END OF YEAR	**$ 224,911**	$176,553

Notes to Consolidated Financial Statements

Year Ended May 31, 1973

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Albany Oil & Gas Limited and its wholly-owned subsidiaries, Conrego Nickel Mines Limited and Albany Oil & Gas (U.K.) Limited.

2. ACCOUNTING POLICIES

(i) Change in accounting presentation

(a) For 1972 the company accounted for exploration and administrative expenditures through a statement of income. In 1973 the company adopted the practice of deferring its exploration and administrative costs. As a result, the 1972 figures have been restated to reflect a deferral of exploration and administrative expenditures and a decrease in deficit account in the amount of $141,209. Such costs will be written-off when production commences.

(b) During the year the company changed its method of accounting for petroleum properties from the "lease cost" method to the "full cost" method wherein all costs related to the exploration for and development of oil and gas reserves are capitalized. Such costs include acquisition costs, geological and geophysical expense and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs. When production commences, depletion on the net property and development costs will be provided using the composite unit of production method based on total proven reserves of gas and oil. The 1972 figures have been restated and are shown as though the change to the full cost method of accounting for oil and gas operations had been made at the beginning of 1972 by crediting lease costs and increasing deficit account in the amount of $50,308.

(ii) Depreciation of production equipment will be provided when production commences. Depreciation on office equipment and leasehold improvements is provided on a straight-line basis at an annual rate of 20%.

(iii) Mineral interests are valued at $100 each and cumulative deferred expenditures relating to the claims total $6,578 at May 31, 1973 and 1972.

3. INVESTMENTS IN OTHER COMPANIES

	1973	1972
Geneva Resources Ltd. (N.P.L.), 40.63% owned		
60,933 shares, at cost	$ 51,584	$ 51,584
Advances	5,655	—
	57,239	51,584
Westrim Mining Corporation Limited, 33.75% owned		
675,000 shares, at cost	70,300	70,300
Sundry, at nominal value	3	1,378
	$127,542	$123,262

4. NOTES RECEIVABLE

Under an agreement approved by the shareholders of the company in August, 1971, the company issued 600,000 shares at 40 cents per share for a total of $240,000. The company received 6% promissory notes which are repayable equally over a three year period commencing in 1973. The company's transfer agent holds 360,000 of the shares as security for payment of the notes receivable.

5. PETROLEUM AND MINING PROPERTIES AND EQUIPMENT

	1973	1972
Lease and development costs	$1,304,668	$231,365
Production equipment	54,551	24,351
	1,359,219	255,716
Mineral interests	13,838	12,771
Office equipment less accumulated depreciation	7,266	600
	$1,380,323	$269,087

6. LONG-TERM DEBT

	1973	1972
5½% Notes payable, secured by certain petroleum interests	$15,000	$40,000
Less principal included in current liabilities	15,000	25,000
	$ —	$15,000

7. CAPITAL STOCK

(a) Preference shares

During the year all the 89,583 outstanding preference shares were redeemed in exchange for 89,583 common shares of the company.

(b) During the year ended May 31, 1973 the company issued shares of its common stock as follows:

	Shares	Amount
For cash, in units consisting of 4 shares and 1 share purchase warrant exercisable at $1.40 each to January 1, 1976	1,200,000	$1,320,000
Under employee's share options for cash	30,000	15,000
In exchange for preference shares ..	89,583	89,583
	1,319,583	$1,424,583

(c) Options

At May 31, 1973 three officers of the company held options on 210,000 common shares at 50 cents per share expiring on August 2, 1974; exercisable on a cumulative basis 135,000 prior to August 2, 1973.

8. CONTINGENT LIABILITY

The company is contingently liable for any damages incurred as a result of its off-shore exploration activities in the Adriatic Sea and has lodged a $50,000 pollution control bond with the Italian government.

9. STATUTORY INFORMATION

Remuneration paid to directors and senior officers during the year amounted to $62,998 ($61,992 in 1972).

Auditors' Report

To the Shareholders of
Albany Oil & Gas Limited

We have examined the consolidated balance sheet of Albany Oil & Gas Limited and subsidiary companies as at May 31, 1973 and the consolidated statements of exploration and preproduction expenditures, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for exploration and preproduction expenditures and to the change to the "full cost" method of accounting for petroleum operations referred to in note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

THORNE GUNN & CO.

Calgary, Alberta
July 31, 1973

Chartered Accountants

SMITH GRANT MANN ALBERTA
Litho'd in Canada